

Message Text

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10

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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EO 11652: NA

TAGS: EFIN ETRD EG

SUBJECT: MINTRADE REPORTS ON RESULTS OF SPECIAL IMPORT PROGRAMS

REF: CAIRO 0121

1. REFTEL COVERED PUBLISHED REPORT ON SUBJECT OF CONTROVERSIAL "OWN CURRENCY" IMPORT PROGRAM, WHICH CONTAINS STATISTICS SHOWING VALUE OF IMPORTS UNDER THE PROGRAM TO HAVE REACHED LE334,330. FIGURE OF THIS SIZE WAS A SURPRISE, AS WAS BREAKDOWN OF COMMODITIES IT COVERED, WHICH WERE LIGHT ON CONSUMER AND LUXURY GOODS SIDE.

2. MINTRADE TAWFIK MADE ANNOUNCEMENT JAN 21 THAT EXPLAINED WHY ABOVE FIGURE WAS SO LARGE: IT WAS FOR PERMITS ISSUED UNDER THE PROGRAM. ACTUAL IMPORTS, ACCORDING TO TAWFIK, WERE LE53.8 MILLION (\$137 MILLION). MINISTER CITED AS EVIDENCE OF SUCCESS OF PROGRAM FACT THAT ONLY LE ONE MILLION REPRESENTED FOOD COMMODITIES AND LE300,000 COSMETICS. REST OF IMPORTS WERE "CIVILIAN COMMODITIES, TRANSPORT MEANS AND CRAFTSMEN'S SUPPLIES", WITHOUT FURTHER BREAKDOWN. HE FURTHER AVERRED "OWN CURRECNY" SYSTEM HAD NOT ADVERSELY AFFECTED PARALLEL MARKET TRANSACTIONS AT
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INCENTIVE EXCHANGE RATE; PARALLEL MARKET AVAILABILITIES

INCREASED LE27.6 MILLION IN COURSE OF YEAR.

2. COMMENT: IMPORTS TOTALLED LE100 MILLION UNDER PARALLEL MARKET IN 1974 BUT ONLY LE22 MILLION FIRST SIX MONTHS 1975 (SEE CAIRO'S A-12). LATTER FIGURE TENDS TO SUPPORT REPORTS CURRENT LOCALLY THAT OPERATION OF "OWN CURRENCY" PROGRAM HAS IN EFFECT DRIED UP BULK OF COMMODITY TRADE FINANCED THROUGH PARALLEL RATE. WE DO NOT YET HAVE 1975 TOTAL FOR COMPARISON, HOWEVER.

3. INFORMATION PRESENTED BY TAWFIK ALSO SERVES TO LESSEN SOMEWHAT PURELY ECONOMIC CONCERNS OVER POSSIBLE NEGATIVE IMPACT OF "OWN CURRENCY" PROGRAM ON EGYPT'S FINANCIAL PROBLEMS, BUT DOES NOT REALLY CHANGE BASIC QUESTIONS AS TO ITS OVERALL UTILITY IN MINDS OF MANY OBSERVERS.
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